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C O N F I D E N T I A L DAMASCUS 000895

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SUBJECT: DAMASCUS CHAMBER OF COMMERCE: THE CHANGE WE NEED?

Classified By: Charge d'Affaires Maura Connelly for reasons 1.4 (b,d).

¶1. (C) SUMMARY: The retirement of the Damascus Chamber of Commerce's long-serving chairman shook up the Chamber's November 2008 elections. SARG attempts to pressure the former chairman's son-in-law to step in as Chairman failed, as the remaining ten board members scrambled to re-form their candidate list. Internal disputes emerged amongst "old guard" members, fracturing their slate of candidates at the last minute. In the end, one standing board member was defeated, and three new members were elected -- two of whom had run on a (borrowed) "The Change We Need" platform. Post's discussions with the most prominent, newly-elected member revealed his diverse, somewhat nebulous, and potentially self-serving agenda of "reforms" for the Chamber.
END SUMMARY.

STAGNATION AT THE CHAMBER

¶2. (C) The Damascus Chamber of Commerce is not an institution generally associated with "change." It functions as a quasi-governmental body, and is reportedly heavily influenced by the Syrian intelligence services. Until November, 2008, the 12 members of the body's elected governing board had served for decades, with one member racking up 36 years in office, and the revered former Chairman, Dr. Rateb Shallah, having served for sixteen. Dr. Shallah's father, Baradin, served as chair for 12 years prior to his son's election, and his son-in-law, Khaled Hboubati, had been groomed to eventually move into the position.

¶3. (C) Hboubati told econoff that he was frustrated with the other board members who had served under his father-in-law, and that Dr. Shallah had tried to encourage turnover on the board, to no end. He said that last year Dr. Shallah had encouraged his board colleagues to institute a two-term limit on leadership positions, and that all members had signed a document to this effect in Hboubati's presence. However, Hboubati had been unable to convince other board members to honor this commitment once candidate selection for the 2008 election began.

DESCENT INTO CHAOS

¶4. (C) When Dr. Shallah, aged 83, announced that he would not run in the November Chamber elections, the business community at large assumed that Hboubati would step into his place atop the list of old-guard candidates for re-election. When Hboubati confirmed that he, too, would not seek re-election to the Chamber, the candidate selection process descended into chaos. Seen as the only competent members of an otherwise stagnant, largely ceremonial board, Hboubati told econoff that both he and his father-in-law had been dogged by SARG officials urging them to reconsider their resignations. Dr. Shallah deflected this pressure by noting his age and offering the plausible excuse that his duties as Chairman of the newly-established (but not yet operational) Damascus

stock exchange not only require his full attention but also present a conflict of interest for the board. Hboubati had no such excuse. According to Hboubati, he simply told SARG officials - repeatedly - that he did not want to be involved with the Chamber "if his father-in-law is not there," and that he "could not possibly fill the shoes of such a great man." However, Hboubati told us that he did not want the position because he did not like to be "political." He noted that he had been a close associate of President Asad's brother, Basil, and wished to remain "friends with everyone -- in all circles." Through his assessment of the challenges that would face any new board members, Hboubati implied that a leadership position with the Chamber board could put him into conflict with the SARG, particularly with members of the security services.

¶15. (C) Meanwhile, as the remaining ten Chamber board members struggled to form and rank their list for the upcoming election, an internal power struggle emerged pitting nine of the members against the remaining one member, Bashar al-Nouri. Hboubati characterized al-Nouri as a "bad man" who was trying to take over the Chamber for his own purposes. (Comment: This is undoubtedly a one-sided assessment. End comment.) In the week running up to the actual vote, al-Nouri's name was not only cut from the list, but also was physically cut out of the many large, cloth election banners that hung across intersections throughout Damascus. Amid much speculation on the Damascus street, al-Nouri re-entered the race as an independent candidate.

THE CHANGE WE NEED?

¶16. (C) In a comic turn, a well-connected Syrian businessman from a long-established Damascene family ran at the head of a slate of three "newcomers." During the campaign, Mazen Hammour, who runs a business group with investments in a vast array of economic sectors and who serves as the Honorary Consul General for Macedonia in Damascus, took to calling himself the "Obama of the Chamber," and co-opted the Obama/Biden campaign motto, "The Change We Need." Hammour told econoff that former Chair Dr. Shallah "was the only one who did any work" at the Chamber, and that he wanted to change this. He also claimed that the remaining old-guard board members had used their connections to "blacklist" him and deny him press coverage during the campaign. Ironically, Hammour -- the self-proclaimed agent of change -- argued that the incumbent board members feared that his powerful family and Damascene business connections would dwarf their own influence.

THREE "NEWCOMERS" ELECTED

¶17. (C) According to Hammour, the Chamber has 30,000 members, of which 7,150 were eligible to vote in the Chamber Board election. (Note: Chamber members whose dues were in arrears were not allowed to vote in the Chamber election. End note.) In the end, 2,513 members cast votes in the November 9th "open list" election. (Note: According to Hammour, voters were free to select either an entire slate of candidates, to vote for individual candidates, or to vote for any combination of up to twelve candidates from across the lists. End note.) Hammour was elected to the board, along with one other man from his list and another, "new" independent candidate. The shunned al-Nouri was also re-elected, as were eight of the nine other incumbents who formed the "old guard" list. Hammour was upbeat about the future of the Chamber, and suggested to econoff that he might even be in the running for the chairmanship. (Note: To date, the board has not yet elected its chair. End note.) Yet Hboubati, speaking before the election, had discounted the candidacy of Hammour and the other "new" candidates, saying that they lacked gravitas and would not be able to "stand up to the pressures" placed upon them by the Syrian security services. He surmised that they would, therefore, prove ineffective board members.

NEW PRIORITIES, NEW BUSINESS OPPORTUNITIES

¶8. (C) Hammour outlined his goals for his first term in office. His top priority, he told us, was to foster transparency at the Chamber and "spread business opportunities around." He proposes to accomplish this by forming Chamber committees for every sector of the Syrian economy. These committees, he said, would inform Chamber members of business developments in-sector, and would also work to make policy recommendations to the Ministry of the Economy, Ministry of Finance, and to the Prime Minister. Hammour sees the Chamber as an "incubator for government reforms," and also said that the Chamber should "act as a lawyer on behalf of consumers and investors" in dealing with the government. He noted the introduction of a VAT by the SARG, slated for 2009, as one example of where the Chamber needed to be proactive with government on behalf of its members. He also cited the global financial crisis as a critical issue for the Chamber, saying that there is a need to "open the eyes" of Damascenes to the ways in which the crisis could affect the business climate here, and to "be proactive" in this regard.

¶9. (C) Hammour also hopes to use the Chamber as a platform to push for reform of social benefits for what he terms the "commercial class" in Syria. In addition to pushing for pension and death benefits, Hammour told econoff that he wants to explore the possibility of offering group health insurance, life insurance and disability insurance to Chamber members. (Note: Hammour owns an insurance company. End note.) Hammour also told econoff that he is looking into establishing a stock brokerage to work with the Damascus stock exchange, once opened. He said that he is one of several Damascene businessmen who have applied for licenses to act as brokers.

COMMENT

¶10. (C) It is doubtful that the election of Hammour and the two other "newcomers" to the Damascus Chamber of Commerce represents real change for the business community. Already, Hammour seems poised to parlay his position into personal gain, by pushing private insurance policies to Chamber members -- a move which has great potential to benefit his own insurance company. Shallah's son-in-law, Hboubati, was unusually frank in discussing the security services' grip on Chamber board members, which confirmed Post's suspicion that the Chamber is heavily influenced. While Shallah has a plausible excuse for retirement, it is also likely that his departure reflects his frustration with the security services' growing scrutiny of the Chamber, widening corruption by insiders like President Asad's cousin, Rami Maklouf, and intransigent "old guard" businessmen (and others) who continue to oppose real economic and commercial reforms.

CONNELLY